



City of Santa Barbara
Airport Department

Memorandum

DATE: June 20, 2012
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Stratman Aero Service, Inc. Leasehold Reversion to City

RECOMMENDATION: That Airport Commission receive a status report on the Stratman Aero Service, Inc. (Stratman) leasehold.

DISCUSSION:

Background:

December 6, 2002, the City and Stratman Aero Service, Inc. (Stratman) entered into a lease for operation of an aircraft maintenance facility at the Airport. A portion of the leasehold was subleased to Jacob Stern & Sons, Inc., a charter service provider.

Subsequently, Stratman Aero Service, Inc. defaulted on the terms of their Lease Agreement. City Staff worked with them to correct the defaults and agreed to allow Stratman until January 1, 2012 to cure.

On January 20, 2011, Stratman entered into a one-year sublease with Accurate Aviation Group, Inc. for the remainder of the leasehold except for a few tie-downs.

A ninety-day reminder notice of the January deadline was sent in September 2011. However, Stratman failed to cure the default by the due date, and the City pursued all available remedies provided under the terms of the Lease, including early termination.

The City and Stratman then entered into a Compromise and Mutual Release Agreement on March 5, 2012, under which the Stratman Lease Agreement No. 20369 was terminated and the Premises were returned to the City on February 29, 2012.

Current Negotiations:

The existing subtenants, Jacob Stern & Sons, Inc. and Accurate Aviation Group, Inc. continue to operate on the Premises at the same rental rate charged under Stratman Aero Service.

Accurate Aviation Group, Inc.'s sublease expired with the termination of the Master Lease on February 29, 2012. On March 1, 2012, Accurate entered into a month-to-month temporary permit with the Airport to continue to provide aircraft maintenance services.

The Jacob Stern & Sons, Inc. sublease provides for holding over in case of default of the Master Tenant. Under the terms of the sublease, Jacob Stern exercised its option to lease directly from the Airport.

The Airport proposes to enter in to new term lease agreements with Jacob Stern & Sons, Inc. and Accurate Aviation Group, Inc., subject to Airport Commission and City Council approval. The original leasehold has been adjusted for operational purposes to remove two tie-down spots at the northwest corner of the ramp that were inhibiting fuel trucks from using the vehicle service road. Water service has been separated to facilitate separation of the leasehold into two distinct premises.

A list of tie-down tenants was provided to the Airport. Those tenants are currently leasing space directly from the Airport. However, they will be included in the revised leasehold currently under negotiation with Accurate.